

ILLINOIS COMMERCE COMMISSION

DOCKET 23-_____

DIRECT TESTIMONY

OF

JAMES C. BLESSING

Submitted on Behalf

of

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

January 20, 2023

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ILLINOIS COMMERCE COMMISSION

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I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

A. James (Jim) C. Blessing. 10 Richard Mark Way, Collinsville, Illinois, 62234.

Q. By whom are you employed and in what capacity?

A. I am Vice President, Regulatory Policy and Energy Supply for Ameren Illinois Company (Ameren Illinois or the Company).

Q. Please generally describe Ameren Illinois.

A. Ameren Illinois is a combination gas and electric public utility that was created in 2010 from three legacy Illinois utilities: Central Illinois Public Service Company, Central Illinois Light Company, and Illinois Power Company. Ameren Illinois is a subsidiary of Ameren Corporation. Ameren Illinois provides electric delivery service to approximately 1.2 million customers and gas delivery service to approximately 816,000 customers within its service territory, which generally covers approximately 43,700 square miles of urban and rural environments in the central and southern portions of Illinois. Ameren Illinois owns, operates, and invests in, for the purpose of serving Illinois customers' energy needs, a complex electric and gas delivery system that includes about 4,500 miles of electric transmission lines, 46,000

miles of electric distribution lines, 18,200 miles of natural gas transmission and distribution mains, and 12 underground natural gas storage fields with a total capacity of approximately 24 billion cubic feet. Ameren Illinois' electric system directly serves about 27 customers per mile, with an additional 500,000 served indirectly through 24 cooperatives and 50 municipalities. The system's large footprint, regional diversity, and the low number of customers per mile present unique challenges, which inform the implementation of the new performance based ratemaking framework as I discuss below.

Q. What are your responsibilities as Vice President, Regulatory Policy and Energy Supply for Ameren Illinois?

A. In this role, I direct power procurement, natural gas procurement, regulatory policy and rates, regulatory affairs, and energy efficiency for Ameren Illinois.

Q. Please describe your educational and professional background.

A. Please see my Statement of Qualifications, which is appended to this testimony.

Q. Have you previously testified before the Illinois Commerce Commission?

A. Yes. I've testified on Ameren Illinois' behalf in multiple proceedings before the Commission involving regulatory and power procurement issues.

B. Purpose, Scope, and Identification of Exhibits

Q. What is the purpose of your direct testimony in this proceeding?

A. I support Ameren Illinois' proposed tariffs implementing a 4-year Multi-Year Rate Plan (Rate Plan) under Section 16-108.18 of the Public Utilities Act (Act).

My testimony covers several topics towards that end:

First, I explain Ameren Illinois' vision, mission, and values, as they form the core of the services and value that Ameren Illinois continuously strives to provide its customers and thus are the foundation for the Rate Plan that Ameren Illinois presents here.

Second, while I am not a lawyer, I explain the comprehensive performance-based electric delivery service ratemaking framework, which includes the multi-year rate plan and related annual adjustment process, Ameren Illinois' approved performance metrics, and the multi-year integrated grid planning process established by Public Act (PA) 102-0662. It is under that framework that Ameren Illinois petitions the Commission for approval of its Rate Plan, which aligns utility performance with significant customer value and service.

Third, I explain how Ameren Illinois' performance-based ratemaking proposal is consistent with applicable statutory objectives.

Fourth, I provide an overview of Ameren Illinois' proposed Rate Plan.

Finally, I discuss Ameren Illinois' proposed rate phase in.

Before I do all of that, however, I introduce the other witnesses who are providing direct testimony in support of Ameren Illinois' Rate Plan in this proceeding.

Q. Please introduce the other witnesses who sponsor testimony for Ameren Illinois.

A. The other witnesses supporting Ameren Illinois' Rate Plan are as follows:

Witness	Subject Areas
Jim Blessing	Overview of Performance Based Ratemaking Framework, Multi-Year Rate Plan, Rate Phase-In
Ron Stafford	Revenue Requirement, A-C Schedules, Information provided for 2021-2027, Tax Allocation Agreement
Susan Keith	Excess Deferred Taxes, Rider PER, Rate Case Expense

Hector Irizarry-Robles	Forecasted Rate Base, O&M, G Schedules, Forecast process
Jason Klein	Electric Operations, Operation and maintenance (O&M) expense
Steve Wolter	Capital Investments, Investment plan, Major projects
Darryl Sagel	Capital Structure, Debt/Equity Ratio
Dylan W. D'Ascendis	Return on Equity
Joseph Weiss	Cash Working Capital
Mike Adams	Operation of Ameren Illinois MYRP compared to other states: MYRPs in other states - use of escalators
Kelly Hasenfratz	Incentive Compensation
Jonathon Jackson	Rate PBR-R Tariff, Rate Design/Bill Impacts, Other Tariff changes
Julia Ballard	Annual Adjustment Reconciliation
Andy Abendroth	ECOSS
Matt Tomc	Rate Case Expense Affidavit

63 **Q. Are you sponsoring any exhibits with your direct testimony?**

64 A. No.

65 **Q. Are you offering any legal opinions in your direct testimony?**

66 A. No. While I offer my understanding of certain new provisions enacted by PA 102-
67 0662, none of my testimony offers any legal opinions.

68 **Q. What are the conclusions of your direct testimony?**

69 A. The objectives of the performance-based ratemaking framework are substantial – in
70 short, they are intended to take Illinois through a clean energy transition. To meet those
71 objectives will necessarily require certain investments to be made by Ameren Illinois, and,
72 frankly will result in increases in customer rates in the short term. But the level of investment
73 and the costs reflected in Ameren Illinois' Rate Plan are necessary to support the objectives of
74 the clean energy transition and, over the long term, arrive at a more stable rate environment.
75 Supportive regulatory treatment to allow Ameren Illinois to raise the necessary capital to fund
76 those investments and recover the reasonable and prudent costs associated with the clean
77 energy transition is therefore essential. Limiting the scope of Ameren Illinois' Rate Plan
78 investments and cost recovery in the short term will only delay the work needed to support the
79 clean energy transition and prolong the rate impacts of that transition. Therefore, and for the
80 reasons I state in my testimony as well as those explained by Ameren Illinois' other witnesses
81 in this proceeding, I recommend that the Commission approve Ameren Illinois' proposed Rate
82 Plan.

83 **II. AMEREN ILLINOIS' VISION, MISSION, AND VALUES**

84 **Q. Please summarize Ameren Illinois' vision, mission, and set of values.**

85 A. Consistent with its obligations as an Illinois public utility regulated by the
86 Commission, as I understand them, Ameren Illinois provides safe, adequate, efficient, and
87 reliable service to Illinois customers, in a least-cost manner to those customers given its
88 service obligations. But Ameren Illinois' vision, mission, and values, which align with those
89 of the broader Ameren organization, go beyond Ameren Illinois' public utility obligations.
90 Ameren Illinois' vision is to lead the way to a sustainable energy future—by delivering

significant long-term value to Ameren Illinois' customers, the communities it serves, its shareholders, and the environment. Ameren Illinois' mission is to power the quality of life—for customers, co-workers, and communities. And Ameren Illinois' values are reflected in the way Ameren Illinois does business—promoting safety, integrity, respect, diversity, equity and inclusion, accountability, stewardship, teamwork, and an unwavering commitment to excellence.

Q. Why are Ameren Illinois' vision, mission, and values important here?

A. Ameren Illinois' vision, mission, and values drive the high quality service that Ameren Illinois continuously endeavors to provide customers. So, Ameren Illinois' proposed performance based ratemaking framework generally, and Rate Plan specifically, is intended, first and foremost, to support Ameren Illinois' continuing provision of safe, adequate, efficient, and reliable service to Illinois customers in a least-cost manner given its service obligations. But in addition, the proposed performance-based ratemaking framework I discuss below is aligned in many ways with Ameren Illinois' goal of delivering significant long-term value to Ameren Illinois' customers, the communities it serves, its shareholders, and the environment.

III. PUBLIC ACT 102-0662: PERFORMANCE-BASED RATEMAKING FRAMEWORK

Q. What is your familiarity with PA 102-0662?

A. I am generally familiar with PA 102-0662, which I understand from legal counsel became effective on September 15, 2021. As I understand it, PA 102-0662 changed the Act by adding or amending provisions, so that the Act now provides for, among other things, implementation of a formalized multi-year integrated electric infrastructure planning process

overseen by the Commission and an optional multi-year performance-based electric delivery service ratemaking framework, which is intended to promote certain utility, customer, community, and environmental objectives enunciated by the General Assembly. I discuss specific statutory performance-based ratemaking framework objectives below.

Q. Please generally explain the new electric infrastructure planning process.

A. As I understand it, the Commission now has a greater role facilitating the development, planning, and implementation of electric infrastructure improvements and additions. Prior to PA 102-0662, the Commission largely reviewed the prudence and reasonableness of electric utility infrastructure investment after the fact, except in instances where the law required or a utility sought a certificate of public convenience and necessity before construction, or in connection with certain categories of investment under the Energy Infrastructure Modernization Act, Public Act 97-0616, 220 ILCS 5/16-108.5 (EIMA). Now, however, the Commission will oversee a forward looking, multi-year planning process for investment, including a multi-year integrated grid planning process, that considers the State's energy needs and goals, as well as the input of various stakeholders.

Q. Please describe the multi-year integrated grid plan (Grid Plan).

A. Among other things, PA 102-0662 added Section 16-105.17, entitled "Multi-Year Integrated Grid Plan," to the Act. In general, this Section requires each electric utility serving more than 500,000 retail customers in Illinois to formulate and submit for Commission approval a Grid Plan that, over a five-year planning horizon, coordinates distribution system investments in such a way as to effectuate certain broad policy goals set forth in the Act. Section 16-105.17 prescribes detailed substantive and informational requirements with which

Grid Plans must comply. The Commission initiated a docket, Docket 22-0487, for the purpose of determining whether the Grid Plan filed by Ameren Illinois is reasonable, complies with the objectives and requirements of Section 16-105.17, and reasonably incorporates input from parties. It is my understanding that Ameren Illinois' Rate Plan filing must be consolidated with Docket 22-0487 after the Rate Plan is filed.

Q. Please generally explain PA 102-0662's multi-year performance-based ratemaking framework.

A. As I understand it, PA 102-0662 also created a new multi-year rate plan development and approval framework for electric utilities that, like Ameren Illinois, serve more than 500,000 customers in the State and participate in EIMA's formula ratemaking framework. Each utility that elects to participate in the new framework would file a petition proposing tariffs implementing a 4-year Multi-Year Rate Plan, which I refer to as the Rate Plan, no later than, January 20, 2023. Under the new framework, the Commission will set electric delivery service rates for each year in a future four-year period of the Rate Plan. The Rate Plan must include an investment plan that is consistent with the Grid Plan. After each year of the Rate Plan, the Commission will review, reconcile, and order annual adjustments to revenue requirements previously approved for the Rate Plan, subject to certain limitations. The framework will also include "performance incentive mechanisms"—cost of equity rewards or penalties tied to the utility's performance related to various of the multi-year performance-based ratemaking framework's objectives, as measured by specific "performance metrics" that the Commission establishes for each utility.

Q. Has the Commission established performance metrics for Ameren Illinois?

A. Yes. In Docket 22-0063, the Commission approved seven performance metrics, as part of Ameren Illinois Rider PBR-M, including:

- Metric 1, a two-part reliability metric focused on: 1) a systemwide improvement to SAIDI; and 2) a component focused on improving an average of Environmental Justice (EJ)/Restore, Reinvest, Renew (R3) community specific System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), CEMI4 and CELID performance.
- Metric 2, a two-part peak load reduction metric focused on: 1) peak load reduction through increased enrollment in Rider EVCP; and 2) measured peak load reduction attributable to demand response programs that result in offsetting Ameren Illinois Customer's resource adequacy needs. (I would note that the Commission has granted a request for rehearing on this metric).
- Metric 3, a supplier diversity metric that includes a year-over-year increase from a baseline for electric spend with diverse suppliers (in addition to offering related programming to overcome market barriers and grow and sustain diverse suppliers).
- Metric 4, an affordability metric that measures a year-over-year reduction in disconnections over a baseline focused on 20 zip codes in Ameren Illinois' service territory, with associated conditions.
- Metric 5, an interconnections metric that develops an index to measure the timeliness of Ameren Illinois' review of Part 466 interconnection requests and assigns value and performance to decreased processing time, weighted for the size of the project.

- Metric 6, a customer service metric that requires the Company to answer an increasing percentage of CSR-answered customer calls in less than or equal to 60 seconds; and
- Metric 7, a reliability and affordability hybrid metric that measures a year-over-year increase in the percentage of customers on a circuit with distribution automation schemes.

The Commission also approved dozens of tracking metrics, as well as the creation of a central, publicly available repository for all the tracked information. Each metric is reflected in Ameren Illinois' approved Rider PBR-M tariffs, which is attached to the testimony of Ameren Illinois witness Jackson, and appendices, exemplars of which were filed on December 5, 2022. Rider PBR-M provides for basis point penalty or reward adjustments to Ameren Illinois' return on equity. These performance adjustments will be reflected in Ameren Illinois annual adjustment process, discussed in more detail by Ameren Illinois witness Ballard.

Q. Can the performance metrics be changed in this Rate Plan proceeding?

A. My understanding is no, they cannot. The Commission found in Docket 22-0063, the performance metrics docket, that Ameren Illinois cannot "defer any finalization of the performance metrics to other dockets. Indeed, Ameren will be unable to decide whether to file a Multi-Year Rate Plan or a Section 9-201 rate case this January if these metrics are not determined in this final Order."

Q. Has Ameren Illinois elected to file a Multi-Year Rate Plan?

A. Yes, as set forth in its Petition and testimony in this proceeding. Ameren Illinois' Rate Plan will be implemented through a tariff, Rate PBR-R, applicable to all electric delivery

services customers. Rate PBR-R is attached to and discussed in the testimony of Mr. Jackson. Ameren Illinois' initial Rate Plan will be in effect from the January 2024 through December 2027 billing periods, and the Company must file a new Rate Plan at least 300 days prior to the end of the initial Rate Plan and every four years thereafter, unless the Company elects to file a general rate case.

Q. How do the Grid Plan and the Rate Plan relate to each other?

A. The Grid Plan, attached to the testimony of Ameren Illinois witness Steve Wolter in Docket 22-0487 (Ameren Ex. 2.0GP), includes among other components a set of operating practices, expenditures and investments driven by the Company's core priorities of safety and reliability, resiliency, clean energy transition, and customer experience. These investments and expenditures necessarily are reflected in the Rate Plan, and the Rate Plan investment plan must align with the Grid Plan. The Commission must consolidate its investigation of the utility's initial Rate Plan with the proceeding to establish the Grid Plan (pursuant to Section 16-105.17) no later than 45 days after filing. Given this interrelation and required consolidation, my testimony refers to the Grid Plan in a number of instances.

Q. What is your understanding of the objectives of the performance-based ratemaking framework?

A. As I understand it, the multi-year performance-based ratemaking framework generally seeks to balance many different objectives: maintain and improve service reliability and safety, particularly in economically disadvantaged, EJ, and R3 communities; decarbonize utility systems; encourage cost-effective clean energy investments, including investments designed to deploy and integrate distributed energy resources (DERs) onto the grid; choose

cost-effective assets and services when appropriate; maintain affordability; maintain and grow utility workforce and supplier diversity; improve customer service performance and engagement; address the particular burdens faced by consumers in economically disadvantaged, EJ, and R3 communities; and implement or enhance supplier diversity programs.

Q. What role does Ameren Illinois' performance based ratemaking proposal play with respect to these general objectives?

A. Performance based ratemaking, if implemented in a supportive regulatory environment, can support achievement of PA 102-0662's statutory objectives. Crucial to this is Ameren Illinois' ability to recover its prudently incurred costs and earn a return that will allow the investment needed to continue to ensure reliable service and support the clean energy transition envisioned by PA 102-0662 and the performance based ratemaking framework. At the same time, Ameren Illinois recognizes the importance of mitigating rate impacts associated with the clean energy transition, and so continues to implement measures designed to manage costs and drive efficiency throughout the company.

Q. Are you aware of any other existing state objectives for utility performance?

A. Yes. Since 2012, Ameren Illinois has been recovering its costs to provide electric delivery service to Illinois customers under EIMA's formula ratemaking framework. The provisions of EIMA were enacted in 2011 and will sunset on December 31, 2022. They include certain requirements for an electric utility, like Ameren Illinois, that elected to participate in EIMA's ratemaking framework to commit to, over a ten-year period, creating a certain number of full-time equivalent jobs in Illinois related to the provision of electric

service and making certain incremental levels of investment in electric transmission and distribution infrastructure system upgrades, grid modernization projects, and training facilities. The provisions of EIMA also include a performance-based component, pursuant to which a participating electric utility incurs cost of equity penalties should it fail to achieve incremental improvements over baseline values, ratably over a ten-year period, on specific performance metrics established by EIMA: SAIFI; Customer Average Interruption Duration Index (CAIDI); total number of customers who exceed the service reliability targets; reduction in issuance of estimated electric bills; reduction of consumption on inactive meters; and reduction of uncollectible expense. Increasing opportunities for minority-owned and female-owned business enterprises is also an EIMA performance metric, but the utility's performance on that metric is not tied to any financial adjustment.

Q. Has Ameren Illinois achieved success on its EIMA commitments and performance metrics?

A. Yes. Over the last decade, Ameren Illinois delivered on its EIMA commitments and improved grid reliability as measured by performance metrics. Over the past ten years, Ameren Illinois has directly and indirectly created over 1,400 Illinois jobs, achieved a 20% reduction in service interruptions annually, saved customers an average of \$55 million per year, installed 1.2 million smart meters, and spent \$2.4 billion with diverse suppliers—certified minority-owned, veteran-owned, and women-owned businesses.

Q. Do the new multi-year performance-based ratemaking framework's objectives relate to EIMA's performance metrics?

A. In my opinion, many of the PA 102-0662 objectives essentially pick up from, expand on, and add to where EIMA's left off when EIMA sunset at the end of last year. In Section 16-108.18, the General Assembly finds that the new comprehensive performance-based regulation framework "should revise existing utility regulations to position Illinois electric utilities to effectively and efficiently achieve current and anticipated future energy needs of this State, while ensuring affordability for customers."¹ Section 16-108.18 also provides that the Commission should approve performance metrics under PA 102-0662's framework that "ensur[e] no degradation in the significant performance improvement achieved through previously established performance metrics."²

Q. In your opinion, do the new performance-based ratemaking framework's objectives align with Ameren Illinois' own objectives?

A. Yes, I see a general alignment with many of the objectives. Again, in addition to its obligations as an Illinois public utility, Ameren Illinois operates pursuant to a vision, mission, and set of values that seek to balance the pursuit of a sustainable energy future; powering the quality of life for customers, co-workers, and communities; and continuously promoting safety, integrity, respect, diversity, equity and inclusion, accountability, stewardship, teamwork, and a commitment to excellence. These are similar to the objectives that PA 102-0662 encourages utilities to achieve through the performance-based ratemaking framework. I discuss how Ameren Illinois' performance based ratemaking proposal meets these objectives in more detail in the next section.

¹ 220 ILCS 5/16-108.18(a)(8).

² 220 ILCS 5/16-108.18(e)(2).

IV. **HOW AMEREN ILLINOIS' PERFORMANCE BASED RATEMAKING
PROPOSAL MEETS PA 102-0662'S OBJECTIVES**

Q. Is Ameren Illinois' performance based ratemaking proposal designed to meet the specific objectives of PA 102-0662?

A. Yes, as I discuss below with respect to both the General Assembly's findings on performance based ratemaking and the specific objectives set out in the Act. Ameren Illinois' performance based ratemaking proposal is designed, through a variety of investments, programs, performance incentives and initiatives, to meet these objectives. As should be clear from this discussion, investment is needed and costs must be incurred to support these objectives and the clean energy transition. To do this, a constructive regulatory environment will be essential.

Q. What are the legislative findings of the General Assembly in adopting performance-based ratemaking under the new law?

A. Based on my (non-lawyer) review of the findings of the General Assembly, I understand the goals of PA 102-0662 to be quite broad and transformative – in effect a “clean energy transition” to position Illinois electric utilities to “effectively and efficiently achieve current and anticipated future energy needs” of the state. The General Assembly’s findings include that “improving the alignment of utility customer and company interests is critical to ensuring equity, rapid growth of distributed energy resources, electric vehicles, and other new technologies that substantially change the makeup of the grid and protect Illinois residents and businesses from potential economic and environmental harm from the State's energy systems” and that “there is urgency around addressing increasing threats from climate change and assisting communities that have borne disproportionate impacts from climate change,

310 including air pollution, greenhouse gas emissions, and energy burdens.”

311 **Q. How does Ameren Illinois’ performance based ratemaking proposal address those**
312 **findings?**

313 A. Meeting Illinois’ broad goals as I understand them, while at the same time continuing
314 to maintain safe, adequate, and reliable service, will require ongoing investment by Ameren
315 Illinois. So the Rate Plan investment plan is an important component of achieving those state
316 goals. Under the Act, the Rate Plan investment plan must be consistent with the Grid Plan,
317 which will also play a significant role in supporting the achievement of the state’s clean
318 energy goals as outlined in PA 102-0662. Under the Rate Plan investment plan and the Grid
319 Plan, the Company will maintain its focus on providing safe and reliable power to its
320 customers. However, to meet the clean energy future envisioned in PA 102-0662, Ameren
321 Illinois will build upon foundational investments made to date in the electric distribution
322 system while identifying new tools, capabilities, and investments necessary to support the
323 clean energy transition and meet customers’ evolving expectations. In all of Ameren Illinois’
324 efforts to support PA 102-0662’s policy objectives, the Company will balance its core
325 responsibility to deliver clean, safe, reliable, and affordable power to customers with making
326 needed investments to support the clean energy transition.

327 **Q. You mentioned Ameren Illinois will maintain its focus on providing safe and**
328 **reliable power to its customers. Does that focus support Illinois energy goals?**

329 A. Absolutely. In my view, the provision of safe, adequate, and reliable service, in
330 addition to being a fundamental requirement of the Act (which PA 102-0662 has not
331 changed), is a bedrock principle of utility service, and a foundation without which the goals of

Illinois' clean energy transition cannot be achieved. As discussed in the Grid Plan, the foundational grid modernization investments made to date enable the Company to meet customer needs and the objectives of the Act, including supporting the clean energy transition. For example, without these basic reliability investments, DER penetration will be constrained from optimal levels. Moreover, I understand certain of the Commission's approved performance metrics to incentivize Ameren Illinois to improve service reliability, not just maintain the status quo.

Q. What are the specific statutory objectives of the performance-based ratemaking framework?

A. Section 16-108.18 lists nine objectives that "Through coordinated, comprehensive system planning, ratemaking, and performance incentives, the performance-based ratemaking framework should be designed to accomplish..." I address each of these nine objectives in the questions below.

Q. Does Ameren Illinois' performance-based ratemaking proposal, including its Rate Plan and Grid Plan, meet these objectives?

A. As I understand the objectives, yes. Ameren Illinois' performance-based ratemaking proposal meets these objectives in a variety of ways, including through Grid Plan and Rate Plan investments, proposed operational programs and performance metrics. I discuss each objective individually below; however, the discussion is illustrative and, given the breadth of the objectives and the investments and programs necessary to meet them, should not be construed as an exhaustive list of the ways in which Ameren Illinois' performance-based ratemaking proposal meets these objectives.

354 **Q. How does Ameren Illinois' performance-based ratemaking proposal "maintain**
355 **and improve service reliability and safety, including and particularly in environmental**
356 **justice, low-income and equity investment eligible communities [EIECs]?"**

357 A. Under Ameren Illinois' performance based ratemaking proposal, the Company plans
358 and implements reliability initiatives that are designed to maintain and enhance the reliability
359 of its distribution grid. Not only do these initiatives maintain and enhance the grid, they
360 enhance the Company's ability to efficiently and effectively respond to and restore electric
361 service to customers, following disruptions caused by storms and other significant events.
362 The efficient, safe, and timely restoration of service helps to maintain the safety of the public,
363 which is heavily dependent upon electric energy to meet their needs individually and
364 collectively. In supporting the reliability and resiliency of the system, these initiatives also
365 enable the clean energy transition.

366 As discussed by Ameren Illinois witness Klein, these reliability initiatives include, but
367 are not limited to inspection programs, animal mitigation, lightning protection, underground
368 cable replacement, and automation projects. Mr. Klein also provides examples of O&M
369 activities that Ameren Illinois has performed in recent years to strengthen safety and
370 reliability of the distribution system. Proactive initiatives and activities such as these are part
371 of the steps Ameren Illinois has implemented, and plans to continue to implement, under its
372 performance based ratemaking proposal to maintain and improve the adequacy, safety, and
373 reliability of its electric delivery system throughout its service territory, including assets and
374 infrastructure located in environmental justice, low-income, and equity investment eligible
375 communities.

The Commission has also approved performance metrics that will be in effect during the 2024 – 2027 timeframe that address performance in EIECs. Examples include Metric 1, relating to improvement of system average interruption duration index (SAIDI), both system wide and in EJ/R3 communities, and Metric 7, relating to installment of distribution automation systemwide and in EJ/R3 communities.

Q. How does Ameren Illinois' performance-based ratemaking proposal "decarbonize utility systems at a pace that meets or exceeds State climate goals, while also ensuring the affordability of rates for all customers, including low-income customers"?

A. A key way in which Ameren Illinois' performance-based ratemaking proposal supports decarbonization of utility systems is Ameren Illinois' proposed beneficial electrification plan (BE Plan), filed with the Commission in Docket 22-0431. The BE Plan has been incorporated into the Company's Grid Plan, and thus, by extension, into the Company's performance based ratemaking proposal. The BE Plan lays out the steps the Company will follow to support Illinois' goal of one million electric vehicles on the road by 2030.

The BE Plan, much like the Grid Plan, has many objectives related to ensuring that the benefits of beneficial electrification are delivered to all customers, particularly low-income customers and customers located in environmental justice and EIECs. For example, the Company will offer time-of-use delivery rates that allow electric vehicle (EV) owners to fuel (or charge) their vehicles during periods when electricity demand is lowest and the cost of delivering that power is lower. Customers who elect to take advantage of such rates will experience lower delivery prices to charge their vehicles than they would otherwise experience. And customers benefit even if they don't own an EV, because the rate structure should lower overall delivery rates through optimized charging, thus benefiting all customers.

Other elements of Ameren Illinois' performance-based ratemaking proposal will also support decarbonization. One example is Metric 5, which incentivizes year-over-year improvements in the timeliness for utility review of DER interconnection requests – achieving this metric will mean improvements in the timing of interconnection reviews for carbon-free DER.

Ameren Illinois has also engaged in the construction and operation of two solar pilot projects in EIECs of East St. Louis and Peoria, Illinois. Energy generated in these facilities and supplied to AIC customers will reduce the consumption of energy generated with carbon fuels such as coal and natural gas. I discuss Ameren Illinois initiatives to maintain the affordability of rates below.

Q. How does Ameren Illinois' performance-based ratemaking proposal support “cost-effective investments that support achievement of Illinois' clean energy policies?”

A. As I understand it, Section 16-105.17 of the Act (related to the Grid Plan) includes several references to cost-effective investment. However, the concept of cost-effectiveness as part of Ameren Illinois' investment decisions is not new. The Company analyzes potential costs and benefits for the purpose of evaluating investments and investment-related decisions in its current business processes. This provides a clear rationale to determine which investments meeting a certain threshold should be made, using the available data and assumptions at the time the decision is made. Grid Plan witness Andrew Cottrell discusses the cost-effectiveness framework proposed for Ameren Illinois' Grid Plan, which includes multiple methodologies to assess cost effectiveness dependent upon the type of grid investment.

421 Additionally, the State has authorized or directed the use of specific benefit-cost
422 analyses (BCAs) for particular areas of investment directed by the law, such as energy
423 efficiency, voltage optimization, and beneficial electrification investments. Such BCAs have
424 proven to be effective tools for considering investments that do not otherwise fall into
425 customer-driven, regulatory-driven, or core investment categories which are best met with a
426 standard cost-assessment approach.

427 Further, through its Rate Plan, the Company will make investments that are designed
428 to support a transition to a clean-energy environment, including safety and reliability
429 investments. These Rate Plan investments will be reviewed by the Commission to ensure they
430 are prudent and reasonable. In addition, the Company will be subjected to performance
431 metrics that either penalize or reward the Company's performance, which I view as an added
432 assurance that investments will be cost-effective.

433 **Q. How does Ameren Illinois' performance-based ratemaking proposal "choose cost-**
434 **effective assets and services, whether utility-supplied or through third-party contracting,**
435 **considering both economic and environmental costs and the effects on utility rates, to**
436 **deliver high-quality service to customers at least cost?"**

437 A. As indicated above, Ameren Illinois' existing business processes, investment planning
438 and vendor selection consider cost-effectiveness already. For the proposed Grid Plan, this is
439 further discussed by Mr. Cottrell.

440 One area of relevance to this objective is Non-wires alternatives (NWAs), which offer
441 an opportunity to use alternative solutions to defer or replace traditional utility infrastructure
442 investments, potentially resulting in cost savings for customers and societal benefits while
443 maintaining system performance. NWAs are typically associated with the use of DERs such

as energy storage and distributed generation as well as non-traditional tools such as targeted demand response and energy efficiency. Implementation of NWAs can be accomplished in a variety of ways, including utility-owned assets and third-party solutions, and may potentially incorporate one or more of these options in the implemented solution. As stated in the Grid Plan, Ameren Illinois supports non-traditional investments in line with emerging industry practices. NWAs also align with the Company's grid vision priority to support the clean energy transition.

More broadly, Ameren Illinois is required by the Act to "provide service and facilities which are in all respects adequate, efficient, reliable and environmentally safe and which, consistent with these obligations, constitute the least-cost means of meeting the utility's service obligations."³ And Ameren Illinois only recovers in rates those costs for assets and services which the Commission reviews and finds are prudently incurred and reasonable in amount. Ameren Illinois' service to its customers, under the performance based ratemaking proposal, remains subject to these requirements, as it always has.

Q. How does Ameren Illinois' performance-based ratemaking proposal "maintain the affordability of electric delivery services for all customers, including low-income customers?"

A. One of the key ways Ameren Illinois works to maintain the affordability of electric delivery services for customers is to continually look for opportunities to control O&M expenses. As discussed below and in more detail by Ameren Illinois witnesses Irizzary-Robles and Klein, these cost control efforts are based on appropriate system controls, budgeting, and planning. Further, the Company mitigates rate increase impacts on its

³ 220 ILCS 5/8-401.

customers through its robust portfolio of energy efficiency programs and provides support to customers who may face challenges in paying their bills. Certain of Ameren Illinois' performance metrics are related to affordability. And Ameren Illinois is proposing a Rate Phase-in Plan to mitigate the initial rate increase in 2024 under the proposed Rate Plan.

Q. How does Ameren Illinois work to control O&M costs?

A. As described more fully by AIC Witnesses Irizzary-Robles and Klein, the Company has system controls in place that require approval of projects, job requisitions, and purchase orders to ensure that all projects and expenditures are approved by the appropriate level of management. AIC also uses its approved annual budget to manage and control costs, and AIC conducts ongoing reviews of the budget to ensure that costs are maintained within approved projections. Ameren Illinois witness Klein discusses a number of cost control initiatives that Ameren Illinois has implemented and continues to use, including but not limited to, standardization of the process for working with customers on new facilities, cost containment for contractors, use of Ameren Illinois' automated JULIE screening program, street light replacement on failure, underground cable replacement vs repair, enhanced vegetation management, and changing various substation maintenance tasks from a time-based maintenance strategy to a reliability-based maintenance strategy, reducing technician trips.

These efforts have allowed Ameren Illinois to keep O&M expense increases relatively flat. As explained by Mr. Irizzary-Robles, a comparison of historical 2018 to forecasted 2027 O&M show O&M increasing at a compounded annual growth rate (CAGR) of only 1.7%, which drops to 1.0% if incremental O&M associated with implementation of PA 102-0662 and the Multi-year Integrated Grid Plan is excluded. These CAGRs are below the inflation rate assumptions used for non-labor related expenses in the test years.

Q. What customer support mechanisms does Ameren Illinois offer?

A. As I mentioned above, the Company also provides support to customers who may face challenges in paying their electric bills. Such support includes offering payment agreements, providing customers the option to enroll in the Company's budget billing program, advising customers of the Low-Income Heating Assistance Program (LIHEAP), Percentage of Income Payment Plan (PIPP), and the Arrearage Reduction Program (ARP), and providing direct financial assistance via grants of up to \$350 to low- to moderate-income individuals who don't qualify for Federal assistance during the winter and grants of up to \$200 to seniors (60+), disabled and those with medical conditions requiring air conditioning in the summer through Warm Neighbor Cool Friends (WNCF). Customers are also able to participate in energy efficiency programs, including free home energy assessments to income-qualified customers and home efficiency upgrades to other customers.

Q. Are there other aspects of Ameren Illinois' performance based ratemaking proposal that help maintain the affordability of electric delivery service rates?

A. Yes. As noted above, one component of Ameren Illinois' performance based ratemaking proposal is Performance Metric 4, which incentivizes a year-over-year reduction in disconnections over a baseline focused on 20 zip codes in Ameren Illinois' service territory.

In addition, Ameren Illinois intends to mitigate the impact of increased rates as a result of the necessary expenditures to support the clean energy transition by phasing in the increased rates, as allowed by the statute. That is, as I understand it, the statute provides utilities the opportunity to defer up to 50 percent of the initial rate increase for subsequent recovery over 12 to 24 months. Employing a phase-in approach will dampen the initial rate impact customers will experience while yet allowing the Company to recover its prudently

512 incurred costs and expenditures. I discuss this further below.

513 **Q. How does Ameren Illinois' performance-based ratemaking proposal "maintain**
514 **and grow a diverse workforce, diverse supplier procurement base and, for relevant**
515 **programs, diverse approved-vendor pools, including increased opportunities for minority-**
516 **owned, female-owned, veteran-owned, and disability-owned business enterprises"?**

517 A. Under the Supplier Diversity performance metric, Metric 3, approved by the Illinois
518 Commerce Commission in Docket 22-0063, the Company defines "diverse suppliers" as
519 minority, women, and veteran/service-disabled businesses certified by reputable certifying
520 organizations (MWVBEs). In that proceeding, the Commission approved a supplier diversity
521 metric that includes a 2 percent year-over-year increase from a 31 percent baseline for electric
522 spend with diverse suppliers (in addition to offering related programming to overcome market
523 barriers and grow and sustain diverse suppliers).

524 Under this metric, Ameren Illinois will also report on supplier diversity services by
525 goals, program results, demographics, and geography, with separate reporting by category of
526 minority-owned, female-owned, veteran-owned, and disability-owned business enterprises.
527 Ameren Illinois will also provide education workshops focused on nurturing supplier
528 development and enhancing opportunities to do business with Ameren Illinois.

529 **Q. How does Ameren Illinois' performance-based ratemaking proposal "improve**
530 **customer service performance and engagement?"**

531 A. One of the four key priorities guiding Ameren Illinois' plans and investment in the
532 Grid Plan is "Customer Experience." Ameren Illinois' vision is to enable greater customer
533 engagement, empowerment, and options for energy service through expanded education and

programs based on customer needs, and implementing new technology to improve the customer experience, while continuing to prioritize affordability, equity, and improved customer service systems. Many of the investments, programs, and plans proposed in this Grid Plan directly impact the customer experience. Customer expectations of reliable, resilient, and clean energy service are increasing as customers rely more and more on their electric service to power their daily lives. Investments made to sustain and strengthen reliability and resiliency directly impact the experience of Ameren Illinois customer.

In addition, the Final Order in Docket 22-0063 approves several customer-focused performance metrics. As outlined in Ameren Illinois' Grid Plan, Metric 4: Affordable Customer Delivery Service Costs requires the Company to reduce residential disconnections in the 20 zip codes with the highest disconnection ratio by 10 percent annually over the four-year period 2024 to 2027. For Metric 6, the Commission approved a customer service metric that requires the Company to increase incrementally over the four-year performance period, from 85% to 88%, the percentage of CSR-answered customer calls in less than or equal to 60 seconds. Further, as set out in the Grid Plan, Ameren Illinois is identifying broad customer experience trends that are driving change across the industry and translating those trends into key points to inform our customer strategy.

Q. How does Ameren Illinois' performance-based ratemaking proposal address the "particular burdens faced by consumers in environmental justice and equity investment eligible communities?"

A. As explained in the Grid Plan, Ameren Illinois' support for the clean energy transition has the potential to benefit environmental justice and EIECs. Examples of direct benefits include the Company's energy efficiency offerings, which enable customers to save on their

electric bills. Similarly, Ameren Illinois' investments in the distribution system as well as advanced systems and capabilities will better enable DER adoption. Community solar in particular can also translate to bill savings for customers in EIECs. Investment in the electric distribution system also creates and supports jobs and enables economic development, including in EIECs. These communities may also experience indirect benefits from the clean energy transition, such as improved health incomes associated with cleaner air from transitioning to renewable sources of generation and EVs. Ameren Illinois will support efforts to bring the benefits of grid modernization and clean energy, such as the deployment of DERs, to all customers and support efforts to bring at least 40 percent of those benefits to EIECs.

Also, Ameren Illinois' performance metrics 1, 4, and 7 each have a specific focus on making improvement for consumers in environmental justice and equity investment eligible communities. Furthermore, as outlined in Ameren Illinois' proposed BE Plan, the Company stresses equitable access to clean energy and related jobs in investment eligible and/or low-income communities. The BE Plan outlines how the Company will address the financial and other challenges to electric vehicle usage in low-income communities and strategies for overcoming those challenges. The proposed BE plan was developed to support the adoption of electrification through time-of-use delivery rates, assistance with infrastructure costs, and focused education and outreach, with particular emphasis on equity investment eligible and/or low-income communities.

Q. How does Ameren Illinois' performance-based ratemaking proposal "implement or otherwise enhance current supplier diversity programs?"

A. Ameren Illinois demonstrates its commitment to supplier diversity through efforts to build a robust pipeline of diverse suppliers and develop their relationships with Ameren

Illinois. As discussed above, Ameren Illinois' Supplier Diversity performance metric (Metric 3) builds upon the Company's commitment to supporting the development and growth of qualified, ready, and able diverse businesses. The Company, as part of the performance metric, will provide education workshops that aim to nurture supplier development and enhance opportunities for diverse businesses to work with Ameren Illinois. Through these efforts Ameren Illinois expects to increase diverse business participation in professional services, subcontracting, and prime contracting opportunities while addressing barriers to access that include cyber security, quality management and other administrative burdens.

Q. Will meeting these objectives require ongoing investment by Ameren Illinois?

A. Yes. The Act requires ongoing investment by Ameren Illinois over the four years covered by the Rate Plan. This investment is necessary both to meet Ameren Illinois' core responsibility to deliver safe, secure, reliable, and resilient power to customers and to support the clean energy transition. As discussed in the Grid Plan, to develop the necessary grid and customer capabilities, Ameren Illinois will need to upgrade some existing systems, and in many cases, implement new systems and technologies. The Company considered three categories of grid investment to support meeting performance based ratemaking objectives: (1) Baseline Investments – to maintain safe and reliable service to customers; (2) Foundational Investments - to enable modernization of the distribution grid to provide greater grid availability and security that is foundational to any level of DER adoption and electrification, and so provide the basic building blocks for increased operational flexibility and visibility, including communications infrastructure, metering and sensing, SCADA, and ADMS upgrades, distribution automation, redundancy, infrastructure hardening, and voltage optimization; and (3) Incremental Investments – to build on foundational investments to

enable advanced system functionality and support efforts to achieve clean energy transition policy goals.

Q. How can a constructive regulatory environment support the investment needed to meet these objectives?

A. The level of investment and the costs reflected in Ameren Illinois' Rate Plan are necessary to achieve the objectives of the clean energy transition and, over the long term, arrive at a more stable rate environment. Supportive regulatory treatment to allow Ameren Illinois to raise the necessary capital to fund those investments and recover the reasonable and prudent costs associated with the clean energy transition is therefore essential. Supportive regulatory treatment in my view includes authorization of a capital structure and rate of return adequate to maintain credit ratings and attract capital, aligned with investor expectations, and with returns on investments comparable to companies with similar risks, and allowing Ameren Illinois to recover its prudently incurred and reasonable costs. This includes recovery of the full scope of Ameren Illinois' investment plan, which reflects the investments necessary to both meet the core responsibility to provide safe, adequate and reliable service and the investment necessary to build on Ameren Illinois' foundational investments to support the clean energy transition. To limit the scope of Ameren Illinois' Rate Plan investments and cost recovery in the short term will only delay the work needed to facilitate the clean energy transition and prolong the rate impacts of that transition.

V. OVERVIEW OF AMEREN ILLINOIS' 2024-2027 MULTI YEAR RATE PLAN

Q. Please provide an overview of Ameren Illinois' proposed Rate Plan for 2024-2027.

A. As indicated, the Rate Plan is implemented through tariff, Rider PBR-R, sponsored by Mr. Jackson. The Rate Plan establishes the base rates that will be charged for each year of the

4-year period to be covered by the plan – here 2024-2027. The Rate Plan includes the 4-year investment plan and a description of the utility’s major planned investments (including all investments of \$500,000 or greater for Ameren Illinois). This 4-year investment plan is consistent with the utility’s Grid Plan, as described in Section 16-107.17 of the Act. The Rate Plan establishes the cost of equity based on Commission practice and law, establishes a revenue requirement that is reflective of the actual capital structure for the applicable calendar year, and provides for recovery of prudent and reasonable projected operating expenses.

Q. At a high level, what are AIC’s proposed revenue requirements for each year 2024-2027?

A. The following table depicts the proposed rate base and revenue requirement for each year of the Rate Plan.

	Rate Base	Revenue Requirement
2024	\$4.325	\$1.282
2025	\$4.639	\$1.373
2026	\$4.958	\$1.477
2027	\$5.278	\$1.556
Dollar amounts are shown in billions of dollars,		

Q. What is AIC's proposed rate of return?

A. The Company's proposed overall rates of return (ROR) for each year of the 2024-2027 are shown in the following table. The table also shows the rate of return on common equity (ROE) that is incorporated into each overall ROR.

	Return on Equity	Overall Rate of Return
2024	10.5%	7.645%
2025	10.5%	7.710%
2026	10.5%	7.728%
2027	10.5%	7.758%

Q. What are the key drivers of the revenue requirements for 2024-2027?

A. The key drivers of the revenue requirements for the 2024-2027 operating years include, but are not limited to, the cost of plant investment, cost of capital, depreciation, administrative and general expenses, and necessary operations and maintenance expenses. The following table depicts, by year, the amount of each key driver and its percentage of the revenue requirement.

Key Drivers of the Increase in Revenue Requirement by Year (\$ Millions)								
Major Driver	2024		2025		2026		2027	
	Amt	%	Amt	%	Amt	%	Amt	%
Cost of Capital / Capital Structure	\$ 106.2	65%	\$ 1.7	2%	\$ 1.5	1%	\$ 1.6	2%
Rate Base Investment and Depreciation	\$ 60.8	38%	\$ 50.9	56%	\$ 63.6	61%	\$ 65.0	83%
O&M Expense	\$ 30.2	19%	\$ 15.2	17%	\$ 11.7	11%	\$ 4.4	6%
A&G Expense	\$ 1.0	1%	\$ 22.9	25%	\$ 26.7	26%	\$ 7.1	9%
FRU Reconciliation and ROE Collar	\$ (37.3)	-23%	\$ -	0%	\$ -	0%	\$ -	0%
Other	\$ 1.4	1%	\$ 0.3	0%	\$ 0.4	0%	\$ 0.4	1%
Change in Revenue Requirement	\$ 162.2		\$ 91.0		\$ 103.9		\$ 78.5	

These key drivers to revenue requirements are explained in greater detail in the testimonies of other AIC witnesses, including Mr. Jason Klein (O&M expense), Mr. Steve Wolter (plant investment), Mr. Dylan D'Ascendis (cost of equity capital), and Mr. Darryl Sagel (overall weighted cost of capital).

Q. Are there other items that will impact the delivery services rates in the years 2024 through 2027?

A. Yes, in addition to the changes in revenue requirements, the delivery services revenues projected to be collected from customers in the years 2024 through 2027 will also be impacted by changes in sales of electricity from prior years (which is supported further by Mr. Jackson) and by the Rate Phase In I discuss later in my testimony. The table below presents the key drivers discussed above, but with the addition of additional revenues necessary to make up loss of sales of electricity. The table below reconciles the Company's total un-mitigated⁴ revenue requirement used to set rates with the key drivers of revenue requirement discussed above.

⁴ Un-mitigated means proposed revenue requirement prior to any rate phase in proposed by the Company in this proceeding.

Key Drivers of the Increase in Revenue Requirement by Year (\$ Millions)								
Major Driver	2024		2025		2026		2027	
	Amt	%	Amt	%	Amt	%	Amt	%
Cost of Capital / Capital Structure	\$ 106.2	65%	\$ 1.7	2%	\$ 1.5	1%	\$ 1.6	2%
Rate Base Investment and Depreciation	\$ 60.8	38%	\$ 50.9	56%	\$ 63.6	61%	\$ 65.0	83%
O&M Expense	\$ 30.2	19%	\$ 15.2	17%	\$ 11.7	11%	\$ 4.4	6%
A&G Expense	\$ 1.0	1%	\$ 22.9	25%	\$ 26.7	26%	\$ 7.1	9%
FRU Reconciliation and ROE Collar	\$ (37.3)	-23%	\$ -	0%	\$ -	0%	\$ -	0%
Other	\$ 1.4	1%	\$ 0.3	0%	\$ 0.4	0%	\$ 0.4	1%
Change in Revenue Requirement	\$ 162.2		\$ 91.0		\$ 103.9		\$ 78.5	
<i>Dollar amounts are shown in millions of dollars.</i>								
Loss of Sales Revenue	\$ 13.1		\$ 9.6		\$ 4.2		\$ 2.9	
Total Un-Mitigated Rate Increase (Prior to Rate Phase In)	\$ 175.4		\$ 100.7		\$ 108.1		\$ 81.4	

Q. How will the proposed rate changes affect residential customers?

A. Company witness Jackson addresses the impact to residential customers' bills of changes to base delivery service rates, and discusses price changes required to achieve the proposed revenues for these customers.

Q. Does the proposed Rate Plan reflect the objectives of PA 102-0662?

A. Yes, as I discussed above. In alignment with the objectives of PA 102-0662, the proposed Rate Plan and the associated Grid Plan include investments necessary to maintain safe, adequate and reliable service, enable modernization of the distribution grid, and support the clean energy transition in Ameren Illinois' territory. The topical sections of the Grid Plan detail programs and investments the Company plans to make to meet the objectives of the legislation and support the clean energy transition. The Rate Plan investment plan, sponsored by Mr. Wolter, provides detail on these investments for projects that exceed \$500,000. Overall, the plant investment necessary to ensure the reliability of the system and support the clean energy transition totals nearly \$3.5 billion over the 2023-2027 time period.

The Rate Plan also reflects the operating expenses necessary to maintain safe, adequate and reliable service, enable modernization of the distribution grid, and support the clean energy transition.

Q. How can the Commission support the investment necessary to support the clean energy transition?

A. As I discussed, supportive regulatory treatment would allow Ameren Illinois to raise the necessary capital to fund the investments and recover the reasonable and prudent costs necessary to support the clean energy transition. This includes both a rate of return and authorized capital structure adequate to maintain credit ratings and attract capital, aligned with investor expectations, and that includes returns on investments comparable to companies with similar risks.

Q. What return on equity (ROE) has the Company reflected in its proposed base rate increase?

A. The Company has reflected an ROE of 10.50% in its proposed base rate increase.

Q. Why is the Company requesting the Commission to authorize this ROE?

A. The requested ROE is within the range calculated by Mr. D'Ascendis and is considered by the Company to be adequate to maintain credit ratings and attract capital, aligned with investor expectations, and comparable with returns on investments for companies with similar risks. Customers expect and deserve reliable and safe service. As discussed previously, ongoing investment will be necessary to support the ongoing operation of the electric grid in a safe, reliable, and resilient manner and to support the clean energy transition. To fund these expenditures, the Company competes for capital in the capital markets. In those capital

markets, investors choose the market segments and companies in which to invest their funds.
If the Company is not earning a sufficient ROE, investors will choose to invest elsewhere.

Q. What capital structure is Ameren Illinois proposing?

A. Ameren Illinois is proposing capital structures consisting of common stock between 53.973% and 54.031% in the test years ended 2024 through 2027.

Q. Why is it necessary to have a capital structure at this level?

A. As explained by Ameren Illinois witness Sagel, the proposed capital structure takes into account AIC's stand-alone financial health and risk profile, while ensuring timely access to both debt and equity capital at reasonable costs. Importantly, the Company's proposed capital structures will support AIC's infrastructure investments to enhance customer service and reliability (with affiliated job creation benefits), while maintaining the strong financial position and credit ratings that AIC has preserved for a number of years. The capital structures prudently balance the relative costs and benefits of debt and equity financing and establish financial strength and stability at reasonable weighted average capital costs, ensuring ongoing access to both debt and equity capital on reasonable terms.

VI. RATE DESIGN

Q. Is AIC including rate design in this filing?

A. No. Pursuant to Section 16-105.5 of the Act, Ameren Illinois will omit the rate design component of its Rate Plan and subsequently separately file this component with the Commission. Consistent with the Commission's order in Docket 22-0717, Ameren Illinois will submit a revenue-neutral rate design filing no later than one year after the tariffs implementing the Rate Plan are placed into effect.

Q. Is the Company aware of the Commission Low-Income Discount Rate Study Report to the Illinois General Assembly?

A. Yes. On December 15, 2022, the Commission submitted a Low-Income Discount Rate Study Report (the Report) to the General Assembly. Although I am not an attorney, it is my understanding that the Commission considered the submission of the Report to be a requirement under 220 ILCS 5/9-241 of the Illinois Public Utilities Act, which requires the Commission to "assess whether low-income discount rates for electric and natural gas residential customers are appropriate in Illinois." The Report states that it summarizes recommendations from stakeholders and offers the Commission's recommendations based on the Report.

Q. Does the Report offer any conclusions and recommendations?

A. Yes. The Report offers a number of "tentative" conclusions and states that the Commission "will ... open a docketed proceeding or proceedings" to act upon these conclusions. The Report also indicates that the Commission may initiate workshops or rulemakings. Lastly, the Report identifies a number of issues for further discussion.

Q. Was anything else included with the Report to the General Assembly?

A. Yes. A cover letter signed by the Commission Chair is included with the Report. The cover letter states that under Section 5/9-241, "upon completion of the study, the Commission shall have the authority to permit or require electric and natural gas utilities to file a tariff establishing low-income discount rates." The letter further states, "The Commission at its regular open meeting today directed large electric and gas utilities to file such low-income discount rate tariffs as part of the utilities' next rate design filing and encouraged small electric and gas utilities to do the same."

Q. Consistent with that direction, will Ameren Illinois file an electric low-income discount rate tariff as part of its next rate design filing?

A. Yes. Ameren Illinois is studying the Commission's report and will review related developments in pending gas rate case dockets. Ameren Illinois will propose an electric low-income discount tariff when Ameren Illinois submits a revenue-neutral rate design filing, which will be no later than one year after the tariffs implementing the Rate Plan are placed into effect. In developing its rate design, Ameren Illinois will take into consideration the perspectives of stakeholders on this important issue.

Q. Does the statutory framework of the Multi-Year Rate Plan specifically allow for rate mitigation measures?

A. Yes. While I am not an attorney, as I understand it, Section 16-108.18(d)(13) contains provisions that, where a rate change under a Multi-Year Rate Plan will result in a rate increase, allow Ameren Illinois to propose and the Commission to approve a rate phase-in plan.

Q. Is the Company proposing such a plan?

A. Yes, the company is proposing a rate phase-in plan under which new Rate Plan delivery services rates are implemented in 2 steps. In the first step, 50% of the approved rate increase for 2024 would be reflected in rates in 2024, and, in the second step, 100% of the rate increase for 2025 would be reflected in rates in 2025. Thus, Ameren Illinois's plan defers 50% (the maximum allowed) of the 2024 delivery service rate increase that results from this proceeding, which reduces the amount to be collected from customers through delivery service rates in 2024. Ameren Illinois proposes that this deferred amount be collected over a

767 12-month period beginning in January 2026 via the Annual Adjustment mechanism described
768 by Ms. Ballard.

769 **Q. Why is the Company proposing a rate phase in?**

770 A. The Company believes that a rate phase in provides the opportunity to smooth the
771 overall delivery service rate impacts over the Rate Plan's 4-year period.

772 **Q. How did the Company arrive at its rate phase in proposal?**

773 A. In arriving at this proposal, the Company considered the impact on delivery service
774 rates that will result from this Rate Plan filing, along with the impacts of other known or
775 reasonably predictable adjustments to delivery service rates on customers during the 4-year
776 period. The Company then arrived at a rate phase in plan that smooths the total delivery
777 service rate impact over the 4-year period.

778 **Q. What are the impacts on base delivery service rates that will result from this Rate**
779 **Plan filing?**

780 A. The impact on delivery service rates for each year of the four-year rate plan are
781 reflected in the table below. The impact on delivery service rates for each year is derived by
782 starting with the revenue requirement in place during the prior calendar year and then
783 adjusting that revenue requirement for forecasted changes in billing determinants. This value
784 for each year is shown in the table below in the row labeled "Total Un-Mitigated Rate
785 Increase".

Total Un-Mitigated Rate Increase (Prior to Rate Phase-In Plan) (\$Millions)				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Test Year Revenues based on Prior Year Rates	1,106.8	1,272.5	1,368.9	1,474.1
Test Year Revenue Requirement	1,282.1	1,373.1	1,477.1	1,555.5
Total Un-Mitigated Rate Increase	175.4	100.7	108.1	81.4
% Impact	15.8%	7.9%	7.9%	5.5%

Q. What are the impacts of other known or reasonably predictable adjustments to delivery service rates on customers over the 4-year period?

A. The Company identified two known or reasonably predictable adjustments to delivery service rates that will impact customers over the four-year period: the accelerated amortization of certain excess deferred income taxes (EDIT) pursuant to Ameren Illinois Rider EDITA (approved by the Commission in Docket 21-0738) and the application to customer bills in 2024 and 2025 of the reconciliation amounts for calendar years 2022 and 2023 which will result from Rider MAP-R.

Adjustments to Delivery Service Rates (Other than Rate Phase-In Plan) (\$Millions)				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
EDITA Adjustment	(22.9)	(20.3)	0.0	0.0
MAP-R Adjustment	100.0	100.0	0.0	0.0
Total Added Adjustments	77.1	79.7	-	-

Q. How did the company arrive at the EDITA Adjustment?

A. The values reflected for the EDITA Adjustment are the current forecasts of the values included in the final order of Docket 21-0738, in which the Commission approved Rider EDITA.

Q. How did the Company arrive at the MAP-R Adjustment?

A. For 2024, the value reflected is based on the Company's estimated calculation of the MAP-R reconciliation amount anticipated to be included in the MAP-R filing that will be made no later than May 1, 2023. While this value could change as all 2022 year-end values are not yet final, the final value is not expected to be materially different compared to what is reflected here. For 2025, the value reflected is the same value as is reflected for 2024, the Company's estimate of the MAP-R reconciliation amount anticipated to be included in the MAP-R filing that will be made no later than May 1, 2023. In other words, the company is using an estimated reconciliation amount associated with the 2022 reconciliation as a proxy for the calendar year 2023 reconciliation amount.

Q. Please explain why it is appropriate to use the estimated reconciliation amount associated with the 2022 reconciliation as a proxy for the calendar year 2023 reconciliation amount.

A. When looking at the major drivers of the 2022 reconciliation amount (higher 30-year treasury rates in 2022 compared to 2020, actual 2022 year-end rate base compared to 2021 projected year-end rate base, and 2022 actual O&M expense compared to actual 2020 O&M expense), it is expected that these same drivers will have similar impacts when calculating the reconciliation for calendar year 2023. For example, the change in 30-year treasuries from 2020 to 2022 was 1.5533%, which when converted to revenue requirement contributes \$44 million to the 2022 reconciliation. The rates that will be in place during 2023 are based on a 2021 30-year treasury rate of 2.052%. If the 2023 30-year treasury rate is 3.5%, this would result in a change of 1.448%, which when converted into revenue requirement would contribute \$41 million to the 2023 reconciliation.

823 **Q. What are the total impacts on total delivery service rates after factoring in these**
824 **adjustment items?**

825 A. The total impacts on delivery service rates after factoring in these adjustments are
826 shown in the table below in the row labeled "Un-Mitigated Rate Increase w/Adjustments".

Total Un-Mitigated Rate Increase (with Adjustments and Prior to Rate Phase-In Plan) (\$Millions)				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Test Year Revenues based on Prior Year Rates	1,106.8	1,272.5	1,368.9	1,474.1
Test Year Revenue Requirement	1,282.1	1,373.1	1,477.1	1,555.5
Un-Mitigated Rate Increase	175.4	100.7	108.1	81.4
EDITA Adjustment	(22.9)	(20.3)	0.0	0.0
MAP-R Adjustment	100.0	100.0	0.0	0.0
Total Proposed Rates with Adjustments	1,359.3	1,452.8	1,477.1	1,555.5
Un-Mitigated Rate Increase w/ Adjustments	252.5	93.5	24.2	78.5
% Impact	22.8%	6.9%	1.7%	5.3%

827

828 **Q. You stated earlier that the company is proposing to defer 50% of the 2024 rate**
829 **increase that result from this proceeding. What is that value?**

830 A. The 2024 rate increase resulting from this proceeding is \$175.4 million as reflected in
831 the table above; 50% of that value is \$87.7 million.

832 **Q. Is that the maximum amount that can be deferred under the rate phase in**
833 **provisions?**

834 A. Yes. The provisions of Section 16-108.18(d)(13) allow the company to defer up to
835 50% of the first-year rate impact.

836 **Q. How did the company arrive at its proposal to defer the maximum amount allowed**
837 **under the Act?**

838 A. In arriving at its rate mitigation proposal to defer the full 50% allowed under the Act,
839 the Company focused on the unmitigated total impact after other reasonably expected delivery
840 service adjustments in 2024 and 2025, with the goal to levelize the impacts across these first
841 two years as much as possible.

842 **Q. How will AIC recover the deferred amounts?**

843 A. The provisions of Section 16-108.18(d)(13) allow the company to recover the deferred
844 amounts, along with carrying costs at the weighted cost of capital, through a surcharge applied
845 to customer bills that (1) begins no later than 12 months after the date on which the second
846 step's rates went into effect (the January 2026 billing period) and (2) is applied over a period
847 not to exceed 24 months. The recovery mechanism is included in Rider PBR-R's Annual
848 Adjustment mechanism, which is discussed further by Mr. Jackson and Ms. Ballard.

849 **Q. How did the Company arrive at its proposal to apply the surcharge beginning in the**
850 **January 2026 billing period and to apply the surcharge over only a 12-month period?**

851 A. In arriving at this proposal, the Company considered the resulting rate impacts during
852 the years 2025 through 2027, again with the goal of levelizing the impacts across this time
853 period. In addition, the Company also considered the additional carrying charges that
854 customers would be required to pay if the period of time in which the surcharge is applied to
855 customer bills extended beyond 12 months.

856 **Q. What is the resulting delivery service rate impact once the Company's rate phase in**
857 **plan is applied?**

858 A. The resulting rate impact once the company's rate phase in plan is applied is shown in
859 the table below in the row labeled "Total Mitigated Rate Increase".

Total Mitigated Rate Increase (with Adjustments and 50% Rate Phase-In Deferral over 12 Mo.) (\$Millions)				
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Test Year Revenues based on Prior Year Rates	1,106.8	1,272.5	1,368.9	1,474.1
Test Year Revenue Requirement	1,282.1	1,373.1	1,477.1	1,555.5
Un-Mitigated Rate Increase	175.4	100.7	108.1	81.4
EDITA Adjustment	(22.9)	(20.3)	-	-
MAP-R Adjustment	100.0	100.0	-	-
Rate Phase -In Plan Deferral	(87.7)	-	101.6	-
Total Proposed Rates with Adjustments and Rate Phase-In	1,271.6	1,452.8	1,578.6	1,555.5
Total Mitigated Rate Increase	164.8	181.2	125.8	(23.1)
% Impact	14.9%	14.3%	8.7%	-1.5%

VII. CONCLUSION

Q. Please summarize your recommendation in this testimony.

A. Supportive regulatory treatment to allow Ameren Illinois to recover the reasonable and prudent costs associated with the clean energy transition is essential to meet the objectives of the new performance based ratemaking framework and support the clean energy transition. Therefore, and for the reasons I state in my testimony as well as those explained by Ameren Illinois' other witnesses in this proceeding, I recommend that the Commission approve Ameren Illinois' Rate Plan as proposed.

Q. Does this conclude your direct testimony?

A. Yes.

APPENDIX
STATEMENT OF QUALIFICATIONS
JAMES C. BLESSING

I obtained a Bachelor of Science degree in Electrical Engineering from the University of Missouri-Rolla in 1988 and a Masters degree in Business Administration from St. Louis University in 1998.

I began my professional work experience as an Electrical Project Engineer for Southern Indiana Gas & Electric Company in October of 1988. In 1992, I accepted a position with the Power Generation Services Division of General Electric Company as a Field Engineer. In 1994, I left General Electric Company to accept a position with Union Electric Company as a Plant Engineer at the Labadie Power Plant.

In 1999, I transferred to Ameren Services' Corporate Planning Department, where I held the position of Consulting Planning Engineer. On January 1, 2004, I was promoted to the position Director of Resource Acquisition, and on October 15, 2004, my position was transferred to the Strategic Initiatives Department and my title was changed to Managing Supervisor, Power Supply Acquisition. I was promoted to Manager, Power Supply Acquisition in 2007. My position was then transferred from Ameren Services to AmerenCILCO effective January 1, 2009. Thereafter, on October 1, 2010, AmerenCILCO, along with AmerenIP, was merged into AmerenCIPS and renamed Ameren Illinois Company.

In 2012, I was promoted to Director of Power Supply and Infrastructure Development. In 2013, my title was changed to Senior Director of Power Supply & Infrastructure Development. In, 2016, my title changed again to Senior Director of Energy Supply and Corporate Initiatives. In 2018, I was promoted to Assistant Vice President of Regulatory Policy & Energy Supply, and in

2019, I was promoted to my current position of Vice President of Regulatory Policy and Energy Supply.